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Climate Policy a Threat to Trade?

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Report Highlights:

Carbon footprinting may soon become a requirement to supplying big business in the UK. Driven by the Prime Minister's aggressive Climate Change policy, the UK has decided that it cannot wait for a European or International Standard for calculating greenhouse gas emissions associated with manufactured products and has published Publicly Available Specification (PAS) 2050. Many blue chip companies have already adopted the methodology, including leading supermarket chains Tesco and Sainsbury's. US companies may not be ready to meet the requests for data from their UK customers. Similarly problematic, the methodology that the US company might have used at home may not be compatible with the UK approach. Supplying data will involve added costs for the supply chain, and products may be de-listed if they do not have an acceptable carbon footprint.

Includes PSD Changes: No
Includes Trade Matrix: No
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Background

In response to unpredictable energy prices, uncertain sales forecasts, and from a desire to tackle climate change, many UK blue-chip companies have been exploring ways to reduce their utility bills, waste, packaging, and greenhouse gas emissions. The latter is somewhat open to interpretation and there are several approaches available to measuring greenhouse gas emissions (also known as carbon footprinting). This has made it difficult for organizations to move forward.

The UK government has supported calls from industry and environment-focused non-government organizations to develop a consistent methodology for assessing the greenhouse gas emissions (carbon footprint) associated with products and services. The result is that on October 31, 2008, BSI British Standards published a Publicly Available Specification (PAS) 2050. PAS 2050 looks at greenhouse gas emissions throughout a product's entire lifecycle – from sourcing raw materials, through to manufacture, distribution, use, and disposal.

There is currently no UK regulatory framework proposed or in place that makes carbon footprinting mandatory. The move to measure and reduce a product or company's carbon footprint is industry-led. For early adopters, action on carbon footprinting is likely to improve their corporate image.

The UK food industry has a history of adopting schemes that go beyond what is legally required, creating a market place where suppliers must comply with private standards in order to supply. Examples include the British Retail Consortium's Global Standards – used by most UK supermarket chains to assess the suitability of their packaged food suppliers; and GLOBALGAP – used by most UK supermarket chains to ensure good practice by their fresh produce suppliers.

There are concerns that the UK approach to greenhouse gas measurement may also go this route - adopted by supermarket chains and other players as “best practice” and creating yet another layer of bureaucracy that may deter US companies from exploring UK opportunities.

Counting Carbon - PAS 2050

The development of PAS 2050 was sponsored by the Department for Environment, Food & Rural Affairs (Defra) and the Carbon Trust (a government-funded independent company) in conjunction with BSI British Standards. The methodology was trialed over 75 product ranges that included food and beverages, as well as non-food items. Companies involved in the pilot project included PepsiCo, Coca Cola, Danone, British Sugar, and the leading British supermarket chains Tesco and Sainsbury's.

The British government believes it is leading the way in Europe and the rest of the world in providing a mechanism that all businesses can use to measure their carbon footprint.

Defra estimates that the PAS could develop into a full British Standard in possibly as little as a year, while standards work through the European Commission may take three years and the ISO five years to bring their product carbon accounting methodology plans to fruition.

Find out more about PAS 2050 at: [BSI British Standards](#)

How does PAS 2050 fit with other carbon accounting methodologies?

PAS 2050 has its roots in the ISO 14000 series of environmental management standards, and the International Standards Organization is developing a new international standard that will follow PAS 2050 in addressing product carbon footprinting. The Carbon Trust is participating as a UK expert within a working group that is drafting the new ISO standard, ensuring that the ISO process will benefit from the UK experience in developing PAS 2050.

In addition the Carbon Trust is participating in a World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) project to develop further guidance around product carbon footprinting. At present, the WRI/WBCSD's *Greenhouse Gas Protocol: a Corporate Accounting & Reporting Standard* (GHG Protocol) is internationally the most widely used approach to analyzing corporate greenhouse inventories.

The UK expects its experience with PAS 2050 to affect and influence the international debate. For now the UK is ahead of the rest of Europe in the production and adoption of a Carbon Emissions calculation standard. Although the EU Commission does have a project for developing a Carbon Footprint Measurement Toolkit allied to the EU eco-labeling scheme, the EU scheme will be aimed at a narrow range of consumer products, unlike the broad scope of the UK's PAS 2050.

The UK authorities recognize the importance of establishing a common international standard for carrying out product carbon footprinting. However, given the speed of adoption of carbon footprinting internationally by the private sector, it is likely that industry will heavily influence which methodologies and standards become established.

Politics behind the UK's PAS 2050

The move towards a low carbon economy is being driven at the very highest political level in the UK. The Prime Minister wants the UK to be a world leader in mitigating Climate Change and has set a challenging goal of 80 percent reduction in greenhouse gas emissions (from 1990 levels) by 2050. Every government department must work towards a lower carbon footprint, and businesses are being strongly encouraged to measure and reduce carbon dioxide and other greenhouse gases.

The Department for Environment, Food & Rural Affairs (Defra) had sole responsibility for tackling this area until mid-October 2008. However, (and this demonstrates the importance of this issue to the Prime Minister) a new government department has now been created, the Department for Energy and Climate Change.

All industry sectors are affected by the drive to a low carbon economy. However, the emissions associated with agriculture and the production and consumption of food have received a lot of attention as they account for a significant percent of total UK greenhouse gas emissions (18%, according to the UK government report - Food Matters: Towards a Strategy for the 21st Century).

How will US suppliers of food and agricultural products to the UK be affected by PAS 2050?

Greenhouse gas emission information will increasingly be requested by major UK customers. In order to provide it US companies will need to calculate the carbon footprint of their product lines and shipping routes. In the future UK buyers may use carbon footprinting information to choose products with lower emission values and to de-list products with higher associated emissions.

Measuring greenhouse gas emissions will become a requirement for supplying UK big business. There will be a resource burden on US companies financially, and in terms of manpower, to comply with PAS 2050 requests for greenhouse gas emission information.

Labeling

There will be no requirement for companies using PAS 2050 to label products or publish results of carbon footprint calculations. However, should they decide to do so companies can make use of the "Carbon Reduction Label" scheme administered by the Carbon Trust. This involves verification of the carbon footprint calculation, and an undertaking by the company to reduce the greenhouse gas emission figure of the product within two years.

The uptake of carbon labeling is unlikely to be universal or swift in the UK as it may not be comfortable or accurate for companies to publicize the number of grams of carbon dioxide associated with the manufacture of their products. PAS 2050 and other carbon accounting methodologies allow for a degree of uncertainty in the calculation, and it is generally more accurate to put a numerical range to a product than one finite number. Many companies feel that carbon measurement is too complex an issue to communicate to the consumer using a single number. Also, global companies with several manufacturing sites will face the situation of different carbon footprint numbers for the same products - depending on the efficiency and location of the manufacturing plant where they were made. The cost of changing labels to incorporate changing carbon footprint scores may also be prohibitive.

That said, there is a small but growing interest among British consumers for environmental labeling information. Businesses who are early adopters of PAS 2050 may see benefits to their corporate reputation. The UK's number one supermarket chain, Tesco, is a strong supporter of the Prime Minister's low carbon economy concept. Currently, around twenty of their private label products have the Carbon Trust label scheme logo together with the number of grams of carbon dioxide emitted in the manufacture of the product. In 2007, Tesco announced that it would like to eventually put carbon labels on all of its 70,000 product lines – an ambitious plan that, if carried out, will have consequences for all Tesco suppliers.

Supply chain management

As companies in the UK begin to analyze their own Carbon footprint under the PAS 2050 scheme they are increasingly asking questions of those who supply them and those who go on to further process their products. The analysis, recording, discussion and debate of carbon emissions are beginning to become an everyday part of British business.

There is a real cost to business in the adoption of the new, voluntary, scheme; but the take-up reflects the political importance attached to the idea, as well as a growing public awareness. Businesses are also partly driven by the fact that reducing emissions may also

reduce their own production costs in the long term, mainly through savings in utility and transport costs.

"Choice editing"

There is a new phrase adopted by the retail industry in the UK, "Choice Editing", and it has even been used in presentations by the government department Defra. It is expected that the UK's major supermarket chains will choose products with better environmental credentials making the switch to environmentally friendly products easier for the consumer. It is clear from the speed that this approach is being adopted by UK business, when there is no imperative to do it, that US businesses will have to provide carbon information and look to reduce the carbon footprint of a product or risk losing sales.

Multiple Private Standards

Should a variety of different approaches to carbon footprinting proliferate there may be different schemes in different countries, and even within different industry sectors. This may cause additional burden to international trade.

Where can US suppliers get assistance?

The US Environmental Protection Agency (EPA) has two programs to assist US businesses in assessing their greenhouse gas emissions and other environmental impacts:

[Climate Leaders](#) – is an industry-government partnership that helps US companies to complete a corporate-wide inventory of their greenhouse gas emissions.

[Green Suppliers Network](#) – is a collaborative venture involving industry, the US Department of Commerce and EPA. The network can provide assistance with a wide range of environmental impact reduction strategies.

[EPA Regional Offices](#) – contact your nearest EPA Regional Office.